

DRAFT

EMPLOYMENT ADVISORY COUNCIL MINUTES

DATE AND TIME: Thursday, October 2, 2008

PLACE: Department of Workforce Services
140 E 300 S
Room 101N
Salt Lake City, UT

MEMBERS

PRESENT: Kristen Cox, Chairman
Chyleen Arbon
Thomas Bingham
James Judd
Richard Kingery
James V. Olsen
Dan Peay
Richard Thorne
John Williams

MEMBERS
EXCUSED: Greg Diven
John Chindlund
Tony Montano
Raylene Ireland
Reta Oram

OTHERS: George Angerbauer, DWS
Danny Shoenfeld, GOPB
Brad Salmond, DWS
Kathy Prettyman, DWS
Jerry Fruin, DWS
Bill Starks, DWS
John Smith, DWS
Chris Love, DWS
Mike Richardson, DWS

WELCOME

Kristen Cox welcomed the Council members.

APPROVAL OF DECEMBER 20, 2007, MINUTES

Typo changed to 'keep. Tom, Richard K. passed.

COUNCIL MEMBERSHIP VACANCIES AND TERMS

Bill Starks said John Chindlund, Jim Judd, and Raylene Ireland's terms ended June 2008 and each agreed to serve a four year term thus they were reappointed to June 2012.

Steve Booth's term expired and he is no longer associated with labor. Annette Cunningham of the Communications Workers of America name has been submitted for appointment to the vacant employee representative position. The submittal of her resume for consideration of appointment is pending.

UPDATE ON THE 21ST CENTURY WORKFORCE

Richard Thorn and George Angerbauer, DWS Director, Communication and Change Management, gave a presentation on the 21st Century Workforce initiative. There are definite needs in the global economy and reason for concern that the U.S. is falling behind in workforce preparedness. In response to that need, Governor Huntsman appointed a Globally Competitive Workforce Steering Committee of 17 representatives from education, business, workforce development and government to participate in a series of SMART sessions and recommend a course of action. These are long-term issues that will take months and years to resolve. The plan will be high level and look forward to engaging public on a more intensive level. Richard Thorn said his group represented employers and was tasked to ensure it was an industry-driven effort to determine what it will take to combine industry needs with educational opportunities. The process will minimize previous duplicative efforts. Chyleen Arbon asked how citizens are being made aware that their input is being sought. George Angerbauer said they have met and will continue to meet with community organizations and schools. The main vehicle for public comment on the recommendations will be a Website, which will be up in the near future. The Council was asked to look at the recommendations once developed and give input and ideas.

UPDATE ON 2008 LEGISLATION

Bill Starks thanked Jim Olson and Thomas Bingham for their assistance in ensuring the 2008 legislative bills passed. We have no 2009 UI legislation at this point.

HB21 Employment Security Act Amendments waived certain UI filing requirements during a disaster; clarified that UI claimants register by phone or online; clarified that UI claimants must remain able and available for work.

HB64 Disclosure of Information by DWS authorizes DWS to disclose information to the Division of Occupational and Professional Licensing. An MOU is drafted and due for completion in two weeks. We have a similar program with Alcohol Beverage Control that allows DWS to review a Website and if a company is not in good standing with us, their liquor license is not renewed. This same procedure will hopefully be applied to contractors' licenses. Bill Starks said the compliance website would not be available to the public.

SB189 Independent Contractor Database establishes the Independent Contractor Council to direct the design of a database, report data and information related to the database and coordinate regulatory efforts. The Council had its first meeting three weeks ago and is identifying the different databases. For example, when DWS conducts an audit, we will put that information into the database where the Dept of Labor or Worker's Comp can

see if the employer is paying premiums on those workers. The funding to do this was cut from \$250,000 to \$60,000 as part of the special session held recently to reduce agency budgets. It was reduced from the Department of Commerce budget. On the UI side, we already get 1099 extract tape from IRS, which we filter and target audits. Approximately half of our auditors' current workload is devoted to investigating mis-classified workers, mostly generated from the IRS 1099 program.

SB 176 Unemployment Insurance Contribution Rate directs that the social contribution rate shall be calculated and rounded to three decimal places. The change is required so that social costs are more equitably and accurately charged. This did raise the minimum social tax rate for 2009 and Bill Starks will discuss that later in the meeting. The legislation also increased the definition of the minimum and maximum adequate trust fund levels from 17 to 19 months to 18 to 24 months.

UI TRUST FUND UPDATE

Bill Starks reported the June 30, 2008, Trust Fund balance is at \$846,618,918. The reserve factor will rise from .95 to 1.00 for 2009. Social costs were also affected by the legislation that changed the social tax calculation from four decimals and is now rounded to the third decimal place. The preliminary indicates it will move from .001 to .002 in 2009, however it won't go over .002 and might stay at .001. We project in 2010 it will remain the same, and it will probably drop in 2011 and 2012. Seventy-one percent of experience rated employers had the minimum rate last year, but next year will it will probably be between 60 and 70 percent of employers. The final information will be available in late November when the tax rate notices are mailed to employers. Revenues will decrease over the next six to nine months, so the Trust Fund will go down. However, Utah's Trust Fund is in good shape relative to other states, which is reflected in the handout ranking the Average High Cost Multiple Per State. The AHCM column shows Utah at 1.44, which means that Utah could pay out benefits for 1.44 years without any new revenue. Thirty-four states are below the federally recommended levels. Last year's legislation should help keep the Trust Fund in good shape.

Claims are up 45 percent from last year, and up almost 60 percent when emergency unemployment compensation (EUC) claims are included. Emergency unemployment compensation allows those who exhaust regular UI to receive up to 13 additional weeks. This is federally funded and not charged to employers. EUC will phase out in July 2009. UI benefits paid are up over 70 percent, with \$171 million paid out the past year.

AVERAGE EMPLOYER UI TAX RATES

Bill Starks reviewed the average employer UI tax rates. The national average is .66 percent of taxable wages; Utah is .52 percent, which is a ranking of 33. Utah has had a lower unemployment rate. Employers will receive their tax rates by early December. Jim Olson asked if the rates deviate from these figures, to let the Advisory Council know.

UI STRATEGIC DIRECTION

Bill Starks reviewed a handout with Utah's UI Strategic Direction. Our federal base funding and contingency funding for increased workload is adequate. These goals will

DRAFT

increase and improve service delivery, ensure UI benefits are paid and contributions collected timely and accurately, improve UI benefit overpayment detection, and strengthen data system security.

- UI Separation Information Data Exchange System (SIDES) will provide large employers and third party administrators a tool for receiving and responding to UI separation electronically in a nationally recognized format. WI, UT, GA, CO, and OH were awarded grants to implement the system.
- UI Profile Model profiles claimants who are likely to exhaust benefits and requires them to be assessed by an employment counselor. It is a manual process that we are planning to automate, whereby a claimant could go on-line for a self assessment. This would be integrated with the eligibility review process, which notifies a claimant to report where they have registered and applied for work.
- The Collections Case Management System is an initiative to improve efficiency through an automated wage garnishment system.
- The Electronic opt-in program gives claimants and employers the option to receive UI correspondence by email, which should reduce mailing costs.
- Implement effective compliance programs to maintain the Trust Fund's solvency, such as utilization of the National Directory of New Hires to crossmatch claimants in a national database.

OTHER

Four Day/Ten Hour Workdays: Chris Love said we experienced some challenges, especially with staff's personal lives such as education, child care, second jobs. We are giving staff time to adjust to the schedule. Most feedback has been positive. The objectives were to save energy costs and to improve employee's quality of life. We are quantifying data as to customer service. DWS is positioned favorably as we deliver many of our services online. UI has most of its services online. The Governor will determine whether the one-year pilot will become permanent. We do want to pay special attention to performance outcomes, as it impacts timeliness. UI payments are made to direct deposit or debit card, but since state finance is closed on Fridays, payments on Thursday are not processed until Monday, we will continue to monitor this.

Penalty & Interest Fund: Jim Olsen asked why the \$13 million that was taken from the UI penalty and interest fund was put into the general fund and not back into the Trust Fund. Kristin Cox said statute mandates that the money generated by employer and claimants' payments go into this special administrative fund and the legislature has the authority to obligate it. Most recently, it was appropriated for the eREP eligibility program. Historically, Job Service used it for brick and mortar projects. Since DWS' inception, an executive decision has never been made on how to best use the fund, which accumulates about \$2 million a year. There have not been discussions on using the fund for benefit enhancements or to put it into the Trust Fund. It could be changed through

DRAFT

legislative appropriation. The state has economic problems. These are taxpayer dollars and it is for the common good of the state. She said it was a good decision. Hopefully, the fund will rebuild and can be used for programs that impact employers and customers. Danny Schoenfield of GOPB said it was a one-time reduction and anticipated it will be restored. Jim Olsen said, in most cases, penalties and interest payments flow back into that silo and he was surprised both about the amount of money in the fund and that it was raided. Kris said we need a long-term strategy on how to spend it so it can be accessed more regularly and not build into such a large amount of money.

Rules: Bill Starks said if the Council is not receiving the rules prior to publishing, to let him know.

ADJOURN

The meeting adjourned at 3:35 p.m.